

January 2002

# DEFENSE ACQUISITIONS

## Collection and Reporting of Information Technology Purchases



G A O

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## Report Documentation Page

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<b>Abstract</b> The Floyd D.Spence National Defense Authorization Act for Fiscal Year 2001 1 directed the Secretary of Defense to collect specific procurement data 2 on the purchase of information technology (IT) products and services made by the military services and defense agencies in excess of \$100,000.The act specified that data collection was to begin on October 30,2001,and the Secretary was to issue his first annual report to the Armed Services Committees of the Senate and the House of Representatives by March 15,2002.Section 812 also directed us to issue a report to the congressional defense committees by January 31,2002, assessing the progress the Department of Defense (DOD)is making in complying with the act.This report responds to that mandate.		
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8



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Washington, DC 20548

January 28, 2002

Congressional Committees:

The Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001<sup>1</sup> directed the Secretary of Defense to collect specific procurement data<sup>2</sup> on the purchase of information technology (IT) products and services made by the military services and defense agencies in excess of \$100,000. The act specified that data collection was to begin on October 30, 2001, and the Secretary was to issue his first annual report to the Armed Services Committees of the Senate and the House of Representatives by March 15, 2002. Section 812 also directed us to issue a report to the congressional defense committees by January 31, 2002, assessing the progress the Department of Defense (DOD) is making in complying with the act. This report responds to that mandate.

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## Results in Brief

DOD is making good progress in meeting congressional requirements. To date, it has modified appropriate data collection systems to enable them to collect and report all mandated data. Defense components and civilian agencies have begun collecting all of the mandated data. DOD has also implemented controls to maintain data integrity. Lastly, DOD officials see no obstacles to issuing the Department's first report on IT data collection efforts by the March 15, 2002, deadline.

We are not making recommendations in this report. In commenting on our draft, DOD agreed with our findings.

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## Background

The Senate Armed Services Committee Report<sup>3</sup> on the fiscal year 2001 defense authorization bill expressed concern that DOD had insufficient data available to effectively support management decisions regarding its purchases of IT products and services.<sup>4</sup> As DOD was planning to spend

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<sup>1</sup> P. L. 106-398, section 812.

<sup>2</sup> See appendix I for list of data to be collected.

<sup>3</sup> Senate Report 106-292.

<sup>4</sup> Historically, DOD IT purchases from civilian agencies were included in government-wide data as civilian agency procurements.

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\$20.3 billion on IT in fiscal year 2001, the Committee stated that it was imperative that DOD have visibility over how these funds are spent.

The Conference Report<sup>5</sup> associated with the act noted that the requirements for collecting the mandate data would be met by incorporating new data elements into the existing Defense Contract Action Data System (DCADS). This is DOD's data collection system for reporting contract actions to the Federal Procurement Data System (FPDS).

Subsequent to Defense Acquisition Regulations Council approval, the Contract Reporting Committee of the Council initiates all changes to DCADS. The primary instrument used in collecting procurement data from defense contracting offices worldwide is the Individual Contracting Action Report (DD Form 350). This form must be completed and forwarded monthly to the Washington Headquarters Services' Directorate for Information, Operations and Reports (DIOR)<sup>6</sup> for all procurement transactions in excess of \$25,000. DIOR is responsible for compiling and preparing procurement reports for the Department.

Some civilian agencies will also collect the mandated data because they make IT purchases with DOD funds. Such agencies report similar procurement data to the FPDS on an Individual Contract Action Report (Standard Form 279).

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## Existing Data Collection Systems Modified to Meet Mandated Requirements

DOD began to initiate changes to the existing data collection systems shortly after the act became law on October 30, 2000. Prior to the act, DOD, and civilian agencies that purchased IT products and services for DOD, collected most of the mandated data in the existing DCADS and FPDS systems. During the past year, these systems were modified to collect centrally all mandated IT procurement data elements and facilitate reporting. In making these changes, the Contract Reporting Committee first revised the Defense Federal Acquisition Regulation Supplement to capture all mandated IT data on the DD Form 350.<sup>7</sup> Second, the Committee worked with the FPDS Steering Committee to revise the FPDS Reporting Manual. These revisions to the manual modified the Standard Form 279—

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<sup>5</sup> House Report 106-945.

<sup>6</sup> Washington Headquarters Services is a DOD agency.

<sup>7</sup> Instructions for completing the DD Form 350 are in DFARS Part 253.204-70.

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the civilian counterpart to the DD Form 350—so that civilian agencies could collect the mandated IT data.

Military services and defense and civilian agencies began collecting all mandated IT data on October 1, 2001. As in the past, Army, Navy, Air Force, and the Defense Logistics Agency will collect IT data independently through DCADS and forward this data to DIOR monthly. All defense agencies except the Defense Logistics Agency will continue to report similar data through the Army.

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## Data Monitoring Efforts

DIOR has establishing an ongoing monitoring program to maintain integrity in the collecting and reporting of IT data. Its efforts include performing edit checks and tests of all incoming data, requesting and analyzing feedback from field activities, and analyzing data in preparing congressionally-mandated annual reports. DOD officials told us that this type of monitoring is routinely performed whenever changes are made to the DCADS system. DOD officials told us that all of these tasks have been completed at the Office of the Secretary of Defense, the military services, and defense and civilian agencies.

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## Reporting of IT Data

As of January 14, 2001, a DIOR official said he saw no obstacles to prevent the Department from issuing the first report on its IT data collection efforts by March 15, 2002, as mandated in the act. The Secretary of Defense will issue this report to the Committees on Armed Services of the Senate and House of Representatives. DIOR officials envision the report as presenting a status of the Department's efforts to implement section 812 of the act as well as most IT procurement data for fiscal year 2001. Subsequent reports will contain IT procurement data for all elements mandated by the act.

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## Agency Comments

In providing oral comments on a draft of this report, DOD agreed with our findings.

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## Scope and Methodology

To determine the extent to which DOD had implemented congressionally-mandated changes, we met with members of the Contract Reporting Committee of the Defense Acquisition Regulations Council and DIOR officials. In addition, to determine implementation status at the military services and defense agencies, we met with officials from the Army, Navy, Air Force, and Defense Logistics Agency.

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To ascertain that applicable changes have been made to facilitate the collection of IT data, we reviewed the revised Defense Federal Acquisition Regulation Supplement and DOD's revised Individual Contracting Action Report (DD Form 350). We also reviewed the revised FPDS Reporting Manual and the revised FPDS Individual Contract Action Report (Standard Form 279).

We did not validate the DCADS and FPDS systems or edit checks related to IT purchases, nor did we review any mandated IT data that was collected by the military services and defense agencies.

We conducted our review between November 2001 and January 2002 in accordance with generally accepted government auditing standards.

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We are sending copies to the Secretaries of Defense, the Army, the Navy, the Air Force; the Director, Defense Logistics Agency; and the Director, Office of Management and Budget. We will also make copies available to others upon request.

Please contact me at (202) 512-4125 or Catherine Baltzell at (202) 512-8001 if you have any questions regarding this report. Major contributors to this report include William M. McPhail.

Sincerely yours,

A handwritten signature in black ink, reading "David E. Cooper". The signature is fluid and cursive, with the first name "David" being the most prominent.

David E. Cooper  
Director  
Acquisition and Sourcing Management

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The Honorable Carl Levin  
Chairman  
The Honorable John Warner  
Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable Bob Stump  
Chairman  
The Honorable Ike Skelton  
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United States Senate

The Honorable Jerry Lewis  
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The Honorable John P. Murtha  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives



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# Appendix I: Information Technology Data Mandated to Be Collected

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The Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, section 812, subsection (b) states that the Secretary of Defense must collect the following data for each purchase of IT products or services made by a military department or defense agency in excess of the simplified acquisition threshold—currently \$100,000.

- The products or services purchased.
- Whether the products or services are categorized as commercially available off-the-shelf items, other commercial items, non-developmental items other than commercial items, or other noncommercial items or services.
- The total dollar amount of the purchase.
- The form of contracting action used to make the purchase.
- In the case of a purchase made through an agency other than the Department of Defense
  - the agency through which the purchase is made and
  - the reasons for making the purchase through that agency.
- The type of pricing used to make the purchase (whether fixed price or another type of pricing).
- The extent of competition provided in making the purchase.
- A statement regarding whether the purchase was made from
  - a small business concern,
  - a small business concern owned and controlled by socially and economically disadvantaged individuals, or
  - a small business concern owned and controlled by women.
- A statement regarding whether the purchase was made in compliance with the planning requirements under sections 5122 and 5123 of the Clinger-Cohen Act of 1996 (40 U. S. C. 1422 and 1423).

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